

Caverion

Company report

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Olli Koponen
+358 44 274 9560
olli.koponen@inderes.fi

✓ Inderes Yhtiöasiakas

This report is a summary translation of the report “Käännösetenee hyvin” published on 2/11/2022 at 07:00 am

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Solid progress with the turnaround

We reiterate our Accumulate recommendation and EUR 7.50 target price for Caverion after the Q4 result. Revenue growth, the rise in order backlog and a better-than-expected result bring the overall picture of the report clearly to the positive side. The guidance anticipates revenue and EBIT growth, and the market outlook seems good going forward, although cost pressures and material availability challenges create slight uncertainty. Given the improving earnings level, we think that the valuation offers a very good expected return.

The Q4 report was very good

Caverion's revenue grew by 1% to approximately EUR 585 million in Q4. Revenue in the Services business was up as expected (+3%). In the Projects business, revenue continued to decrease (-3%), while we already expected a slight increase. It would be important that Projects turn to growth in order to improve profitability more clearly. However, the growth outlook for revenue is boosted by the order backlog, which has grown by 16%. The adjusted EBITA increased from the comparison period and was above both our and the market forecasts at about EUR 30.1 million. The adjusted EBITA margin was very strong at 5.1% (Q4'20: 3.9%), clearly beating our forecast (4.4%). Profitability was improved by the continued strong performance of Services and by the profitability of Projects which already improved in Q4. Significant one-off items were a burden on the bottom line, but due to strong cash flow, a dividend of EUR 0.17 per share is expected (forecast: EUR 0.15).

Small revisions in forecasts

Market demand appears to be positive, but market disturbances from cost pressures and material availability still pose risks to forecasts. However, from an operational point of view, performance has moved in the right direction. The company expects revenue and adjusted EBITA to grow from 2021 in its guidance. As per usual, there might be anything between significant and modest growth. Given the increase in the order backlog, we expect revenue to grow by 5% to EUR 2,249 million in 2022. We expect adjusted EBITA to grow by 14% to EUR 100 million (EBITA-%: 4.4%). Saving measures, increased revenue and improved project profitability affect the improving earnings. In the near future, we will see revenue growth continuing strong as uncertainty dispels, especially around business space construction and driven by strong market trends (digitization, energy efficiency). The growing share of Services also contributes to profitability, but improved profitability of Projects allows Caverion to take the next step toward its targets (>5.5% EBITA%). Although the progress has been slow, we believe that Caverion has the potential to achieve the target level in the next few years.

Clear upside at current valuation

Caverion's valuation for 2022 is moderate, given the earnings growth and turnaround (22e: EV/EBITDA 6x, P/E 15x, EV/EBIT 12x). Using the 2022 valuation and the average level of our approved valuation (P/E: 14-18x, EV/EBIT 12-16x and EV/EBITDA 7-9x), the share has clear upside. Dividend yield for the next few years is around 3-4%, which provides good support for the expected return on in addition to the upside. Our DCF model valuation (EUR 8.0) is also higher than the current share price and supports our recommendation.

Recommendation

Accumulate

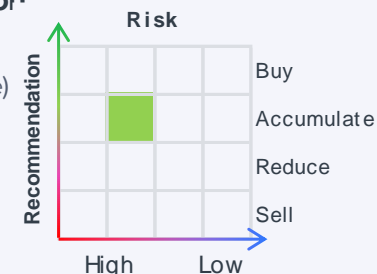
(previous Accumulate)

EUR 7.50

(previous EUR 7.50)

Share price:

6.45



Key figures

	2021	2022e	2023e	2024e
Revenue	2139	2249	2359	2453
growth-%	-1%	5%	5%	4%
EBIT adj.	71.8	83.9	102.6	122.3
EBIT-% adj.	3.4 %	3.7 %	4.4 %	5.0 %
Net Income	25.0	60.1	75.1	90.9
EPS (adj.)	0.38	0.43	0.54	0.66
P/E (adj.)	16.8	15.0	11.9	9.8
P/B	4.3	3.7	3.5	2.9
Dividend yield-%	2.7 %	3.1 %	3.9 %	4.7 %
EV/EBIT (adj.)	14.1	11.5	9.1	7.0
EV/EBITDA	8.9	6.3	5.4	4.5
EV/S	0.5	0.4	0.4	0.4

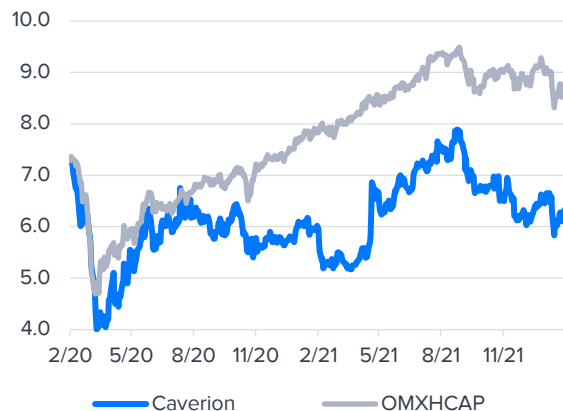
Source: Inderes

Guidance

(New guidance)

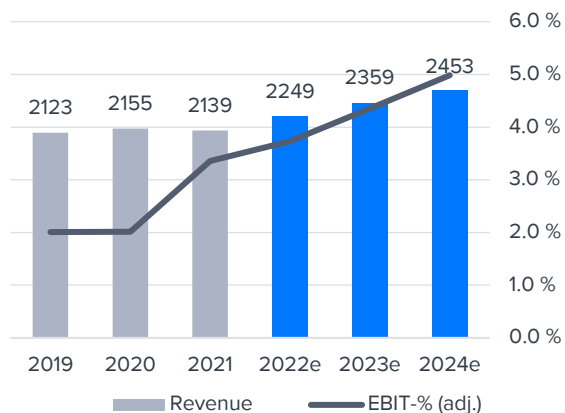
In 2022, Caverion Group's revenue and adjusted EBITA will grow compared to 2021.

Share price



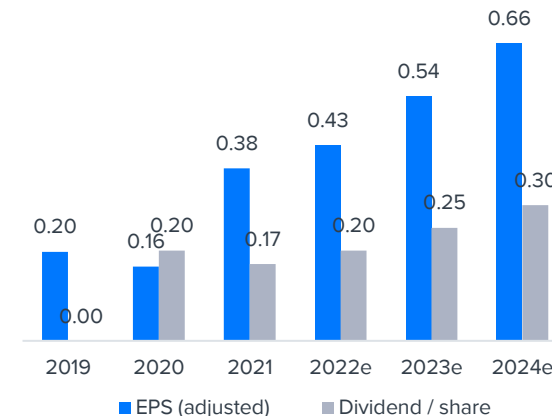
Source: Thomson Reuters

Revenue and EBIT %



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Improving profitability
- Starting the growth phase
- Signs of a turnaround
- Strong growth in continuous and most profitable services
- Increased technology and automation in buildings and equipment supports long-term demand outlook in the market
- Energy efficiency and environmental awareness support the demand outlook for the company's business



Risk factors

- The industry is cyclical and growth in Services partly depends on growth in Projects
- In Projects, the risks are greater than in the continuous businesses
- Project management
- Maintaining sustainable profitability
- Low barriers of entry
- Personnel-intensive field
- Flexibility of resources
- Tightening price competition

Valuation	2022e	2023e	2024e
Share price	6.45	6.45	6.45
Number of shares, million:	136.4	136.4	136.4
Market cap	880	880	880
EV	966	935	862
P/E (adj.)	15.0	11.9	9.8
P/B	3.7	3.5	2.9
EV/Sales	0.4	0.4	0.4
EV/EBITDA	6.3	5.4	4.5
EV/EBIT (adj.)	11.5	9.1	7.0
Payout ratio (%)	46.4 %	46.2 %	45.7 %
Dividend yield-%	3.1 %	3.9 %	4.7 %

Source: Inderes

Result beat the forecasts

Revenue increased slightly

Caverion's revenue grew by 1% to approximately EUR 585 million in Q4(Q4'20: 579 MEUR). Revenue in the Services business was up as expected (+3%). In the Projects business, revenue continued to decrease (-3%), while we already expected a slight increase. It would be important that Projects turn to growth in order to improve profitability more clearly.

However, the growth outlook for revenue is boosted by the order backlog, which has grown by 16% (Q4'21: 1864 MEUR). The order backlog clearly increased in both service areas (Services: +14 %, Projects: +18%). There could be room for growth, but we estimate that it didn't fully materialize in Q4. This is good for the growth prospects of the near future.

Services' share of revenue continued to grow to 65.5% (Q4'20: 63.3%) as the company's long-term objective is to increase it to over 67% (over 2/3).

Profitability at a very strong level

The adjusted EBITA increased from the comparison period and was above both our and the market forecasts at about EUR 30.1 million (forecast: 26.2 MEUR). The adjusted EBITA margin was very strong at 5.1% (Q4'20: 3.9%), clearly beating our forecast (4.4%).

Profitability was improved by the continued strong performance of Services and by the profitability of Projects which already improved in Q4. In the future, we estimate that growing volumes will help the improvement in profitability. The improved profitability of Projects is an important driver for Caverion's profitability turnaround, so it picking up is positive.

However, significant one-off items weakened the reported figures. The divestment of Russia (10 MEUR), the write-downs of an old risk project (2 MEUR) and

the mediation of the old German cartel case (6.4 MEUR) finally brought EPS to EUR 0.01 (forecast: EUR 0.05). The last risk project is now completed, but negotiations with the parties are still ongoing. These didn't affect cash flow much and Caverion proposes to distribute a dividend of EUR 0.17 per share (forecast: EUR 0.15).

Estimates MEUR / EUR	Q4'20	Q4'21	Q4'21e	Q4'21e	Consensus		Difference (%)	2021e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. Inderes	Inderes
Revenue	585	585	592	594	585	611	-1%	2,146
EBITA (adj.)	22,5	30.1	26.2	28.6	26.0	32.7	15%	83.8
EBITA	6.3	8.6	16.2	28.6	26.0	32.7	-47%	67.0
EBIT	5.1	5.1	12.1	24.5	22.0	29.9	-58%	50.5
PTP	2.6	2.6	9.1	-	-	-	-71%	41.3
EPS (reported)	-0,03	0.01	0.05	0.13	0.10	0.16	-81%	0.22
DPS	0.17	0.17	0.15	0.18	0.12	0.27	13%	0.15
Revenue growth-%	-1.7%	1.0%	2.2%	2.5%	-0.1%	4.4%	-1.2 pp	-0.4%
EBITA-% (adj.)	3.9%	5.1%	4.4%	4.8%	4.4%	5.4%	0.7 pp	3.9%

Source: Inderes & Vara Research (consensus)

Outlook in line with expectations, although there are uncertainties too

Outlook and guidance promise good

The outlook and guidance of Caverion were in line with expectations. Caverion estimates that in 2022 the company's revenue will grow (revenue 2021: EUR 2,139.5 million) and adjusted EBITA will increase compared to 2021 (2021: 87.7 MEUR).

Before the result, we forecast EUR 2,231 million (+4%) of revenue in 2022 and adjusted EBITA to increase to EUR 98 million (EBITA%: 4.4%) (consensus: 103 MEUR, EBITA-%: 4.5%). Thus, we expect revenue to grow by ca. 10% in 2022. In 2021, adjusted EBITA increased significantly (+45%), while in the guidance the company commented that it will grow. Therefore, even significant growth cannot be excluded.

Caverion commented that the market outlook for business areas is positive and demand for Projects is picking up. In particular, the availability of materials

and cost pressures cause uncertainties. However, to our understanding, these haven't had any significant impact at least yet.

With the strong order backlog growth and the market outlook that remains good, we see that Caverion has a very good chance of meeting our revenue estimates.. The strong earnings level also strengthened confidence in even a significantly improved result. Finally, it also seems like Projects' business is moving in the right direction, which should improve profitability in addition to revenue growth.

No major changes in estimates

Earnings growth expected for the next few years

We revised our forecasts slightly to reflect the Q4 report. Market demand appears to be positive, but market disturbances from cost pressures and material availability still pose risks to the next few years. However, from an operational point of view, performance has moved in the right direction.

The guidance expects adjusted EBITA to grow from 2021 and, as per usual, growth may be anything between significant and low. With the increase in the order backlog, we expect revenue growth in 2022, lead by Services (+6%) in particular. We also expect Projects (+3 %) to start to grow slightly, which should also improve profitability. In addition, growth is supported by the company's small acquisitions and normalizing from COVID but weakened by the divestment of the Russian unit. We estimate revenue

to grow by good 4% to EUR 2,249 million in 2022. We expect adjusted EBITA to grow by 14% to EUR 100 million (EBITA-%: 4.4%). Saving measures, increased revenue and improved project profitability affect the improving earnings.

In the near future, we will see the strong revenue growth continue (2023-2024 avg: 4.5%) as uncertainty dispels, especially around business space construction and driven by strong market trends (digitization, energy efficiency). The growing share of Services also contributes to profitability, but improved profitability of Projects allows Caverion to take the next step toward its targets (2023- 2024 adj. EBITA% avg: 5.5%).

Toward potential

In the medium term, the company is seeking an EBITA margin of over 5.5%. Reaching this target has

been slower than we anticipated, but it is by no means impossible to achieve. We can see that the increase in profitability is due to the growing share of Services (over two thirds), higher volumes and, in particular, higher profitability of Projects. As has been said, improving the profitability of Projects is a key objective, although there's still uncertainty around it. The combination of growth, continuing growth of the share of Services and scalable digital services support surpassing the profitability target.

It's also very possible that growth turns out to be stronger we estimate, because acquisitions are an important part of the company's strategy. We don't include them in our forecasts due to lack of timing and predictability. The main risks in our forecasts are the recurrence of major project problems, cost pressures and a clear decline in market demand in both service areas.

Estimate revisions MEUR / EUR	2022e			2023e			2024e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	2238	2249	0%	2353	2359	0%	2447	2453	0%
EBITA	98.1	100.0	2%	125	122	-3%	145	142	-2%
EBITA (adj.)	98.1	100.0	2%	125	122	-3%	145	142	-2%
EBIT	83.1	83.9	1%	110	103	-7%	134	122	-9%
PTP	73.5	75.2	2%	101	93.9	-7%	124	114	-8%
EPS (excl. NRIs)	0.43	0.43	1%	0.59	0.54	-8%	0.72	0.66	-9%

Source: Inderes

Expected return is very good

Valuation is attractive in relation to the potential

The risks related to Caverion's turnaround have been elevated for long, but the earnings improvement has already provided signs of higher potential. 2022 doesn't yet give a completely normal picture of the company's performance. However, it should be noted that risk level of the turnaround potential materializing is still high. With this in mind, we believe that the 2022 valuation provides a reasonably realistic basis for reflection.

In our opinion the valuation for 2022 (22e: EV/EBITDA 6x, P/E 15x and EV/EBIT 12x) is moderate. In relation to the middle level of our approved valuation range (P/E: 14-18x, EV/EBIT 12-16x and EV/EBITDA 7-9x) the share would offer clear (+15%) upside. Our accepted valuation range is based on the company's historical multiples, which are discussed more comprehensively in our extensive report. The range is relatively wide during the turnaround, but we see the current middle level as reasonably representative of the acceptable level of Caverion in normal circumstances.

In the coming years, the growing dividend will also provide small support for the expected return. We estimate that dividend yield will be between 3-4% in the next few years. The dividend is supported by the strong cash flow generated by the company's very capital-light business model. However, historical result fluctuations weaken the confidence on dividends.

Valuation level of peers

We don't give the peers significant weight in the valuation, but they can offer good indications of Caverion's possible valuation level. Valuation multiples for the peer group (2022e median: P/E: 16x , EV/EBIT: (15x) are in our view reasonable. Compared to the entire peer group, Caverion is about 20% below the

peer group level.

However, the peer group is muddled up by the high valuation of international companies. Compared to Caverion's core group (Services and Projects), the valuation is in line. However, when compared to the nearest peers (Bravida and Instalco), the valuation is clearly discounted.

At present, we consider the 5% discount for 2022 to be justified in relation to the core peer group. Therefore, the valuation could have little downside (-5%). We also believe that the discount to the key peers (Bravida, Instalco) and international service companies is still justified due to the weaker performance of the company and its smaller size compared to others.

DCF valuation

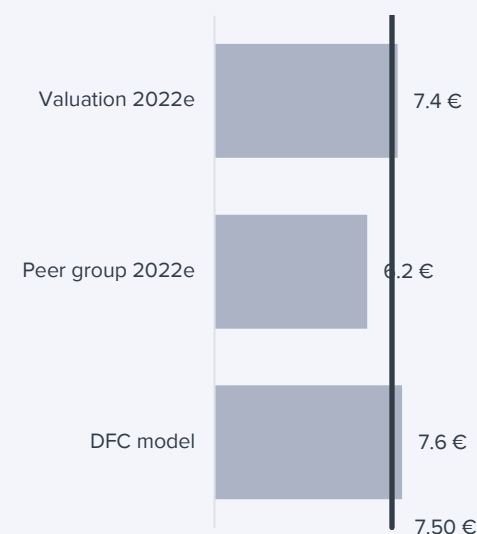
We also give weight to our DCF model in the valuation, although the cash flow model is sensitive, for example, to variables of the terminal period. However, it serves as a support function for valuation, especially during the turnaround, as the company's sustainable earnings level is still a big question mark. Our DCF model indicates a value of EUR 8.0, which is higher than the current share price.

In our model, the company's revenue growth will stabilize at 1.0% in the terminal period after stronger medium-term growth, and the EBIT margin will be 4.0% of revenue. The level is high in relation to the performance of recent years, but moderate in relation to potential. The weighted average cost of capital (WACC) we use in the model is 8.3%, with the cost of equity at 9.7%. In our opinion, the required return doesn't currently have room for downside, but the improvement must come through growing the company's cash flow.

Valuation	2022e	2023e	2024e
Share price	6.45	6.45	6.45
Number of shares, million	136.4	136.4	136.4
Market cap	880	880	880
EV	966	935	862
P/E (adj.)	15.0	11.9	9.8
P/B	3.7	3.5	2.9
EV/Sales	0.4	0.4	0.4
EV/EBITDA	6.3	5.4	4.5
EV/EBIT (adj.)	11.5	9.1	7.0
Payout ratio (%)	46.4 %	46.2 %	45.7 %
Dividend yield-%	3.1 %	3.9 %	4.7 %

Source: Inderes

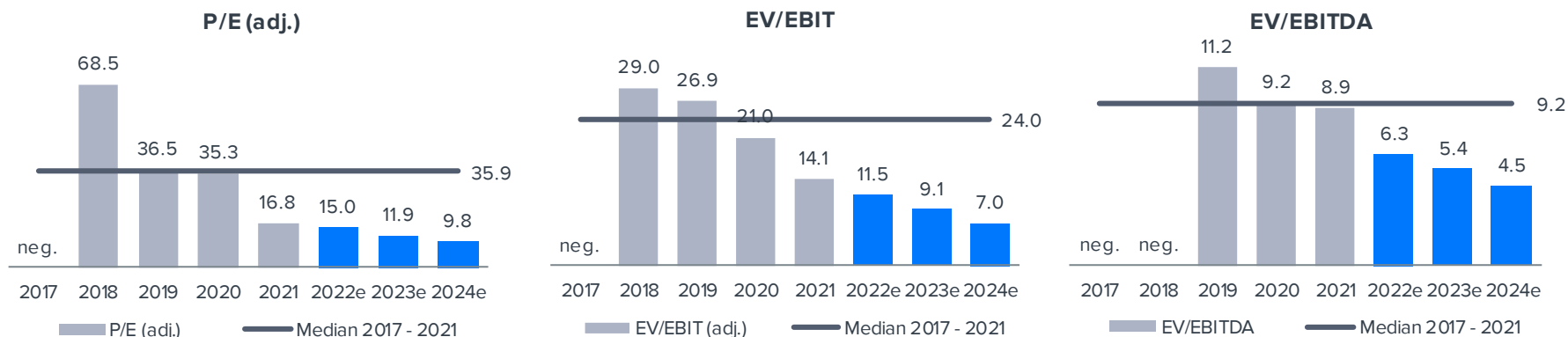
Target price breakdown



Valuation table

Valuation	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e
Share price	5.89	5.93	7.19	5.81	6.39	6.45	6.45	6.45	6.45
Number of shares, millions	127.0	127.0	136.1	136.1	136.4	136.4	136.4	136.4	136.4
Market cap	748	753	978	791	872	880	880	880	880
EV	813	761	1148	911	1014	966	935	862	789
P/E (adj.)	neg.	68.5	36.5	35.3	16.8	15.0	11.9	9.8	8.8
P/B	3.2	3.0	4.3	4.0	4.3	3.7	3.5	2.9	2.4
EV/Sales	0.4	0.3	0.5	0.4	0.5	0.4	0.4	0.4	0.3
EV/EBITDA	>100	neg.	11.2	9.2	8.9	6.3	5.4	4.5	3.9
EV/EBIT (adj.)	neg.	29.0	26.9	21.0	14.1	11.5	9.1	7.0	5.8
Payout ratio (%)	0.0 %	neg.	0.0 %	439.1 %	97.8 %	46.4 %	46.2 %	45.7 %	55.0 %
Dividend yield-%	0.0 %	0.8 %	0.0 %	3.4 %	2.7 %	3.1 %	3.9 %	4.7 %	6.2 %

Source: Inderes



Peer group valuation

Peer group valuation Company	Share price	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B 2022e
				2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	2022e	2023e	
Services and Projects														
Bravida Holding AB	115.20	2244	2252	15.2	14.3	11.8	11.2	1.0	1.0	19.8	18.7	2.8	3.0	3.3
Spie SA	21.42	3433	5054	11.4	10.6	7.6	7.2	0.7	0.6	12.4	11.5	3.4	3.7	1.9
Bilfinger SE	34.58	1332	1042	6.7	5.8	4.1	3.7	0.3	0.2	13.3	11.2	3.2	3.6	1.2
Mitie Group PLC	62.60	1062	1049	5.5	6.4	4.2	4.7	0.2	0.3	6.5	9.6	2.1	2.6	
Instalco AB	63.65	1603	1777	20.3	19.1	17.5	16.4	1.8	1.7	24.8	22.7	1.1	1.2	5.8
Median				11.4	10.6	7.6	7.2	0.7	0.6	13.3	11.5	2.8	3.0	2.6
Diff-% to median				1%	-14%	-17%	-24%	-35%	-38%	12%	3%	10%	30%	44%
Services														
Coor Service Management Holding AB	81.20	745	873	18.7	15.6	10.8	10.4	0.8	0.8	15.0	14.4	4.7	4.6	4.1
Engie SA	14.55	34819	63170	10.0	10.0	5.7	5.9	1.0	1.1	11.2	11.3	6.1	6.0	1.1
Lassila & Tikanoja Oyj	12.42	476	644	14.1	12.8	6.4	6.2	0.8	0.8	13.0	12.1	4.5	4.7	2.1
Median				14.1	12.8	6.4	6.2	0.8	0.8	13.0	12.1	4.7	4.7	2.1
Diff-% to median				-18%	-29%	-3%	-12%	-49%	-51%	15%	-1%	-34%	-17%	79%
International service companies														
Sodexo SA	86.1	12416	15887	15.8	13.5	10.4	9.1	0.8	0.7	19.4	16.2	2.6	3.1	3.5
Aramark	37.8	8494	15172	21.2	16.2	13.2	10.8	1.1	1.0	28.2	17.9	1.2	1.2	3.3
Compass Group PLC	1817.5	38286	41422	24.5	19.1	16.3	13.6	1.5	1.4	31.8	24.1	1.5	2.0	5.9
CBRE Group Inc	106.0	31058	31948	16.5	15.2	12.2	11.2	1.2	1.1	18.6	16.4			3.5
Iss A/S	135.6	3397	5229	14.9	12.3	8.9	7.8	0.5	0.5	15.7	12.4		4.6	2.8
Median				16.5	15.2	12.2	10.8	1.1	1.0	19.4	16.4	1.5	2.6	3.5
Diff-% to median				-30%	-40%	-49%	-50%	-62%	-62%	-23%	-27%	101%	50%	7%
Total														
Caverion (Inderes)	6.45	880	966	11.5	9.1	6.3	5.4	0.4	0.4	15.0	11.9	3.1	3.9	3.7
Average				15.0	13.1	9.9	9.1	0.9	0.9	17.7	15.3	3.0	3.4	3.2
Median				15.2	13.5	10.4	9.1	0.8	0.8	15.7	14.4	2.8	3.4	3.3
Difference-% to the median				-24%	-32%	-40%	-40%	-49%	-51%	-5%	-17%	10%	15%	13%

Source: Thomson Reuters / Inderes. NB: The market cap Inderes uses does not consider own shares held by the company

Income statement

Income statement	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue	2154.9	515.3	545.1	493.7	585.3	2139.4	533.0	566.3	524.3	625.0	2248.5	2358.7	2453.1
Services	1364.9	336.8	353.4	322.1	390.1	1402.4	352.0	368.2	347.2	421.3	1488.7	1561.7	1624.1
Projects	790.0	178.5	191.7	171.6	195.3	737.1	181.0	198.0	177.1	203.7	759.8	797.0	828.9
EBITDA	99.4	28.1	31.5	31.2	23.0	113.8	29.3	34.0	40.9	50.0	154.2	172.0	191.5
Depreciation	-72.2	-17.1	-17.6	-17.7	-17.9	-70.3	-17.1	-17.6	-17.6	-18.0	-70.3	-69.3	-69.2
EBITA (oik.)	60.6	16.4	19.7	21.5	30.1	87.7	16.2	20.4	27.3	36.1	100.0	121.7	142.2
EBITA	42.4	15.1	18.0	17.7	8.6	59.4	16.2	20.4	27.3	36.1	100.0	121.7	142.2
EBIT	27.2	11.0	13.9	13.5	5.1	43.5	12.2	16.4	23.3	32.0	83.9	102.6	122.3
Net financial items	-11.2	-2.1	-2.1	-1.9	-2.5	-8.6	-2.1	-2.1	-1.9	-2.6	-8.7	-8.7	-8.7
PTP	16.0	8.9	11.8	11.6	2.6	34.8	10.1	14.3	21.4	29.4	75.2	93.9	114
Taxes	-7.3	-2.1	-3.0	-3.7	-1.0	-9.8	-2.0	-2.9	-4.3	-5.9	-15.0	-18.8	-22.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	8.6	6.8	8.8	7.8	1.6	25.0	8.1	11.4	17.1	23.5	60.1	75.1	90.9
EPS (adj.)	0.16	0.06	0.08	0.08	0.16	0.38	0.06	0.08	0.12	0.17	0.43	0.54	0.66
EPS (rep.)	0.05	0.05	0.06	0.05	0.01	0.17	0.06	0.08	0.12	0.17	0.43	0.54	0.66

Key figures	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22e	Q2'22e	Q3'22e	Q4'22e	2022e	2023e	2024e
Revenue growth-%	1.5 %	-4.9 %	5.1 %	-4.2 %	1.0 %	-0.7 %	3.4 %	3.9 %	6.2 %	6.8 %	5.1 %	4.9 %	4.0 %
Adjusted EBITA growth-%	43.5 %	19.0 %	-	-6.5 %	-10.6 %	44.6 %	-1.1 %	3.4 %	27.0 %	19.9 %	14.0 %	21.8 %	16.8 %
Adjusted EBITA-%	2.8 %	3.2 %	3.6 %	4.4 %	5.1 %	4.1 %	3.0 %	3.6 %	5.2 %	5.8 %	4.4 %	5.2 %	5.8 %
EBITA-%	2.0 %	2.9 %	3.3 %	3.6 %	1.5 %	2.8 %	3.0 %	3.6 %	5.2 %	5.8 %	4.4 %	5.2 %	5.8 %
Net earnings-%	0.3 %	1.3 %	1.6 %	1.5 %	0.1 %	1.1 %	1.5 %	2.0 %	3.2 %	3.7 %	2.6 %	3.1 %	3.7 %

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	589	596	583	571	560
Goodwill	365	370	370	370	370
Intangible assets	49	48	39	31	27
Tangible assets	144	149	145	141	135
Associated companies	1.7	1.5	1.5	1.5	1.5
Other investments	1.3	1.3	1.3	1.3	1.3
Other non-current assets	8.1	9.6	9.6	9.6	9.6
Deferred tax assets	19.6	16.8	16.0	16.0	16.0
Current assets	703	724	767	827	954
Inventories	16.3	16.9	17.8	18.6	19.4
Other current assets	31.2	35.0	35.0	35.0	35.0
Receivables	506	542	569	597	621
Cash and equivalents	149	131	145	176	279
Balance sheet total	1292	1320	1350	1398	1514

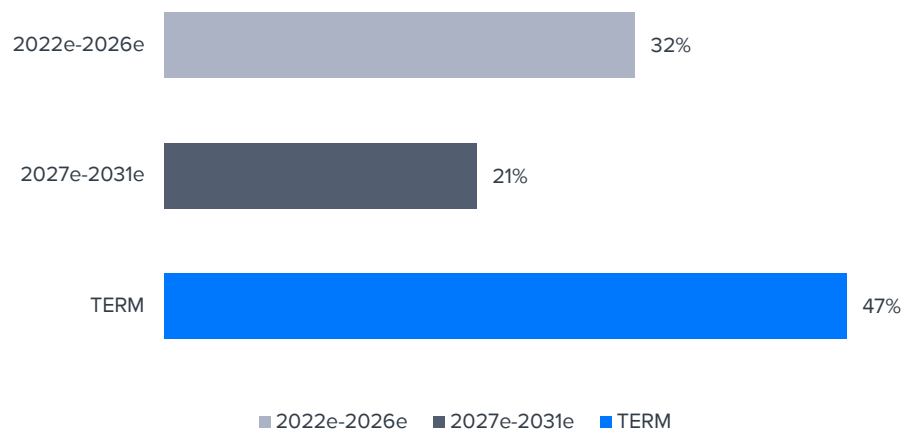
Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	197	201	237	249	304
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	111	108	143	190	245
Hybrid bonds	35.0	35.0	35.0	0.0	0.0
Revaluation reserve	-0.1	-0.2	-0.2	-0.2	-0.2
Other equity	49.1	57.6	57.6	57.6	57.6
Minorities	0.3	0.3	0.3	0.3	0.3
Non-current liabilities	323	329	252	302	302
Deferred tax liabilities	31.6	34.0	34.0	34.0	34.0
Provisions	10.8	10.6	10.6	10.6	10.6
Long term debt	223	227	150	200	200
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	57.1	57.7	57.7	57.7	57.7
Current liabilities	773	789	861	847	908
Short term debt	44.7	44.7	80.0	30.0	60.0
Payables	679	705	741	777	809
Other current liabilities	49.6	39.5	39.5	39.5	39.5
Balance sheet total	1292	1320	1350	1398	1514

DCF calculation

DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TERM
EBIT (operating profit)	43.5	83.9	103	122	135	127	123	120	115	118	119	
+ Depreciation	70.3	70.3	69.3	69.2	64.7	62.0	60.4	59.4	58.9	58.5	58.3	
- Paid taxes	-4.6	-14.2	-18.8	-22.7	-25.3	-23.8	-22.9	-22.4	-21.3	-21.8	-22.1	
- Tax, financial expenses	-2.4	-1.7	-1.7	-1.7	-1.8	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	-23.3	7.5	7.6	6.5	6.7	7.0	5.5	4.7	4.8	4.9	2.0	
Operating cash flow	83.4	146	159	173	180	171	164	160	156	158	155	
+ Change in other long-term liabilities	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-79.7	-58.0	-58.0	-58.0	-58.0	-58.0	-58.0	-58.0	-58.0	-58.0	-61.2	
Free operating cash flow	4.1	87.7	101	115	122	113	106	102	97.5	99.6	94.3	
+/- Other	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	
FCFF	2.8	86.4	99.7	114	120	112	105	101	96.2	98.3	93.0	1280
Discounted FCFF		80.5	85.7	90.6	88.1	75.5	65.5	58.3	51.2	48.3	42.1	580
Sum of FCFF present value		1266	1185	1099	1009	921	845	780	721	670	622	580
Enterprise value DCF		1266										
- Interesting bearing debt		-306.7										
+ Cash and cash equivalents		131										
-Minorities		-1.1										
-Dividend/capital return		0.0										
Equity value DCF		1089										
Equity value DCF per share		8.0										

Cash flow distribution



Wacc

Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	3.5 %
Equity Beta	1.50
Market risk premium	4.75%
Liquidity premium	0.60%
Risk free interest rate	2.0 %
Cost of equity	9.7 %
Weighted average cost of capital (WACC)	8.3 %

Source: Inderes

Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	2123.0	2154.9	2139.4	2248.5	2358.7	EPS (reported)	0.14	0.05	0.17	0.43	0.54
EBITDA	103.0	99.4	113.8	154.2	172.0	EPS (adj.)	0.20	0.16	0.38	0.43	0.54
EBIT	35.3	27.2	43.5	83.9	102.6	OCF / share	1.07	1.08	0.61	1.07	1.17
PTP	27.0	16.0	34.8	75.2	93.9	FCF / share	0.25	0.71	0.02	0.63	0.73
Net Income	19.5	6.2	23.7	58.8	73.8	Book value / share	1.68	1.44	1.47	1.74	1.82
Extraordinary items	-7.4	-16.2	-28.3	0.0	0.0	Dividend / share	0.00	0.20	0.17	0.20	0.25
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	1281.4	1292.4	1320.0	1350.0	1397.8	Revenue growth-%	-4%	2%	-1%	5%	5%
Equity capital	229.0	196.6	201.3	237.0	248.5	EBITDA growth-%	-1265%	-3%	14%	36%	12%
Goodwill	366.5	365.0	369.9	369.9	369.9	EBIT (adj.) growth-%	62%	2%	65%	17%	22%
Net debt	168.3	118.6	140.8	84.5	54.1	EPS (adj.) growth-%	128%	-16%	132%	13%	25%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%	4.8 %	4.6 %	5.3 %	6.9 %	7.3 %
EBITDA	103.0	99.4	113.8	154.2	172.0	EBIT (adj.)-%	2.0 %	2.0 %	3.4 %	3.7 %	4.4 %
Change in working capital	58.4	58.7	-23.3	7.5	7.6	EBIT-%	1.7 %	1.3 %	2.0 %	3.7 %	4.4 %
Operating cash flow	145.7	147.1	83.4	145.7	159.0	ROE-%	8.1 %	2.9 %	11.9 %	26.9 %	30.4 %
CAPEX	-260.6	-54.7	-79.7	-58.0	-58.0	ROI-%	8.8 %	5.7 %	9.3 %	17.8 %	21.7 %
Free cash flow	33.6	97.3	2.8	86.4	99.7	Equity ratio	21.5 %	18.9 %	18.9 %	21.6 %	21.7 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	73.5 %	60.3 %	69.9 %	35.7 %	21.8 %
EV/S	0.5	0.4	0.5	0.4	0.4						
EV/EBITDA (adj.)	11.2	9.2	8.9	6.3	5.4						
EV/EBIT (adj.)	26.9	21.0	14.1	11.5	9.1						
P/E (adj.)	36.5	35.3	16.8	15.0	11.9						
Dividend-%	0.0 %	3.4 %	2.7 %	3.1 %	3.9 %						

Source: Inderes

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
7/21/2017	Reduce	7.30 €	7.11 €
10/30/2017	Reduce	7.30 €	6.97 €
12/13/2017	Reduce	6.50 €	6.49 €
2/7/2018	Reduce	6.00 €	6.11 €
4/25/2018	Reduce	6.00 €	6.09 €
5/14/2018	Reduce	7.00 €	7.41 €
7/4/2018	Reduce	6.40 €	6.10 €
7/26/2018	Accumulate	7.50 €	6.80 €
10/26/2018	Accumulate	6.00 €	5.25 €
2/6/2019	Reduce	5.50 €	5.22 €
2/28/2019	Accumulate	5.60 €	5.20 €
4/17/2019	Reduce	6.10 €	6.27 €
4/29/2019	Accumulate	6.80 €	6.40 €
7/25/2019	Accumulate	6.60 €	6.20 €
10/30/2019	Accumulate	7.20 €	6.49 €
12/2/2019	Accumulate	7.80 €	7.12 €
2/10/2020	Accumulate	8.00 €	7.53 €
3/20/2020	Accumulate	4.80 €	4.20 €
4/15/2020	Accumulate	5.40 €	5.10 €
5/3/2020	Reduce	5.40 €	5.21 €
5/18/2020	Accumulate	5.90 €	5.43 €
8/7/2020	Accumulate	6.80 €	6.17 €
11/6/2020	Accumulate	6.50 €	5.68 €
2/12/2021	Reduce	6.00 €	5.67 €
4/30/2021	Accumulate	7.00 €	6.28 €
6/4/2021	Accumulate	7.00 €	6.70 €
8/6/2021	Accumulate	8.40 €	7.66 €
11/5/2021	Accumulate	7.50 €	6.63 €
2/11/2022	Accumulate	7.50 €	6.45 €



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Itämerentori 2

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